Tackling Neighborhood Poverty

Developing Strategic Approaches to Community Development

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Hurricane Katrina's devastation and its aftermath brought the intertwined problems of poverty, racial discrimination, and neighborhood distress into stark relief. Images of New Orleans' poorest residents trapped in the Superdome and disconnected from rescue efforts provided an apt metaphor for people long isolated and excluded from the economic mainstream. An analysis by the Brookings Institution confirmed the level of visible deprivation in neighborhoods like the Lower Ninth Ward. With one of the highest overall poverty rates in the country, New Orleans ranked second among large cities in the number of poor concentrated in extremely distressed neighborhoods. Nearly 50,000 of New Orleans' poor—mostly African Americans—lived in neighborhoods where the poverty rate exceeded 40 percent.[1]

In Katrina's wake, the question of how to rebuild New Orleans has risen to the top of domestic policy concerns and has reinvigorated a national debate about community development and its effectiveness. Liberals have argued that in rebuilding New Orleans, there is an unprecedented opportunity to use federally funded programs like HOPE VI, Section 8, and CDBG funds to create new and vibrant mixed-income communities. Social conservatives, in contrast, contend that Hurricane Katrina exposed not only great poverty, but also the fundamental failure of community development and anti-poverty policies. Stuart Butler, vice president of the Heritage Foundation, argued, "This is not the time to expand the programs that were failing anyway."[2]

Butler's perspective mirrors a more deep-seated ambivalence about the impact of community development in the United States. Why is it that neighborhoods across the country continue to face problems of poverty, segregation, and disinvestment despite more than three decades of efforts to turn them around? As Charles Buki asked at the Federal Reserve Bank of San Francisco's 2004 Community Reinvestment Conference, "How can it be that we've spent between $300-$325 billion in public dollars on community development activities, and still wind up with West Oakland still like, well, West Oakland?"[3] The field has also increasingly come under attack for focusing on affordable housing at the expense of changing communities for the better. In the words of one community development researcher, "We've become tax credit junkies, building units without stopping to think through why we're doing certain projects." New Orleans is emblematic of this trend: in the 1990s, more than 2,400 units of affordable housing were created under the Low Income Housing Tax Credit program (LIHTC), yet many of these projects were located in poor, African American neighborhoods. Arguably, the 2,400 tax credit units did nothing to connect low-income families to strong neighborhoods with living-wage jobs or good schools; instead, they reinforced their isolation from the rest of the economy.[4]

The lesson from neighborhoods in New Orleans and West Oakland—indeed, from neighborhoods around the country—is that in order to be successful, community development must address the underlying causes of poverty and work to connect poor neighborhoods and families to regional markets. In this article, we share with you an emerging consensus on the key principles that should guide community development activities and provide tangible examples of how these ideas are being implemented in practice. But first, we take a brief look at the changing dynamics of neighborhood poverty as a way to benchmark our progress and assess what there is still left to do.

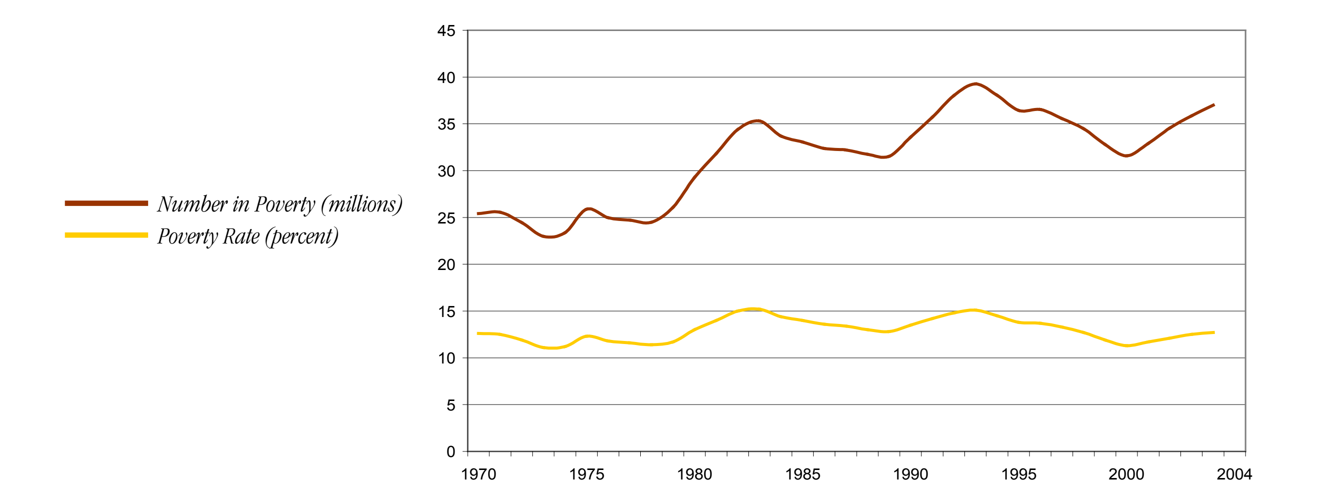
Poverty and Community Development: People and Place

In his State of the Union address on January 8, 1964, Lyndon B. Johnson boldly announced the "War on Poverty," a multi-faceted strategy designed to encourage employment growth and expand the safety net for poor families. These programs contributed to an already declining poverty rate, and while Ronald Reagan argued that in the "war on poverty, poverty won," the next ten years saw the nation make its greatest strides against poverty since the end of the Depression. The poverty rate dropped to a low of 11.1 percent in 1973 (22.9 million people), down from 22.2 percent (40 million) just a decade earlier. Since then, the poverty rate has seesawed up and down, largely following the strength of the national economy (see Figure 1).

From a community development perspective, however, the overall poverty rate may be of less significance than where the poor live. Known alternatively as ghettos, barrios, slums, extreme-poverty neighborhoods, blighted areas, distressed

Number in Poverty and Poverty Rate: 1970 to 2004

Figure 1



communities, and low- and moderate-income census tracts, neighborhoods characterized by high levels of poverty are often host to a wide range of social and economic ills, including violence, drug abuse, bad schools, and little legal commercial activity.

> *Because it is right, because it is wise, and because, for the first time in our history, it is possible to conquer poverty.*
>
> *Lyndon B. Johnson's Special Message to Congress, March 16, 1964*

A recent study by Paul Jargowsky, a researcher at the University of Texas, found that between 1970 and 1990, the number of high-poverty neighborhoods more than doubled as the combination of de-industrialization, suburbanization, and "white flight" decimated inner city communities.[5] As with the overall poverty rate, however, this trend reversed during the 1990s, and the population living in high-poverty neighborhoods dropped precipitously. Jargowsky estimates that the number of people living in high-poverty neighborhoods declined by 24 percent, or 2.5 million people, over the course of the decade.

While this decrease in neighborhood poverty is good news, Jargowsky cautions that significant pockets of poverty remain, and that new pockets of poverty are emerging. Many cities including New Orleans, Baltimore, and Detroit have still to overcome the increase in neighborhood poverty during the 1970s and 1980s. The most recent data from the Census also shows that the concentration of poverty is shifting from central cities in the East and Midwest towards rapidly growing Western metropolitan areas. Cities like Fresno, Los Angeles, and Las Vegas all saw large increases in the number of high poverty neighborhoods, reflecting high levels of immigration coupled with local labor markets dominated by low-wage jobs (see Figure 2). In addition, as the national poverty rate has risen since the last Census, there are concerns that the gains made in neighborhood poverty during the 1990s will be eroded.

The challenge for the community development field is to respond to these changing patterns of neighborhood poverty and to continue to work to reverse the effects of decades of disinvestment in low-income and minority communities. Living in high poverty neighborhoods magnifies the problems faced by the poor, and exacts high social and economic costs. Research has shown that:

- Living in extremely poor neighborhoods creates significant barriers to finding and traveling to jobs in other parts of a metropolitan area.[6]
- Children who live in extremely poor urban neighborhoods are more likely to drop out before receiving a high school degree, and are at a greater risk of engaging in criminal behavior and drug use.[7]
- The incidence of depression, asthma, diabetes, and heart disease are all greater in high poverty neighborhoods.[8]
- The lack of competition and market information in high poverty neighborhoods results in poor families paying more for basic needs and services, such as groceries, financial services, auto insurance, and home mortgages, making it even more expensive to be poor.[9]

Revitalizing neighborhoods and reducing concentrated poverty by providing access to quality affordable housing, strong public schools, convenient and comprehensive transportation options, living-wage jobs, and even access to supermarkets and parks and public spaces can therefore help to end the vicious cycle that keeps poor families from moving up the economic ladder.

Figure 2

Top Ten Cities with the Highest Rate of Concentrated Poverty

	Concentrated Poverty Rate
Fresno, CA	43.5
New Orleans, LA	37.7
Louisville, KY	36.7
Miami, FL	36.4
Atlanta, GA	35.8
Long Beach, CA	30.7
Cleveland, OH	29.8
Philadelphia, PA	27.9
Milwaukee, WI	27.0
New York, NY	25.9

Addressing Neighborhood Poverty: Principles of Strategic Community Development

In place of community development work that has been criticized for being overly focused on housing production, CDCs, CDFIs, and other community based organizations are in fact working in a multitude of ways to tackle neighborhood poverty in a comprehensive and strategic way. Increasingly, neighborhoods are being seen as dynamic, unique places where cookie-cutter approaches to solving poverty won't work. Urban renewal–which isolated or divided neighborhoods and removed large numbers of ethnic and minority residents–has given way to empowering local residents and developing mixed-income communities connected to the wider economic region.

In part, this has been made possible through the innovations in both "place-based" and "people-based" programs and policies implemented during the Clinton administration, such as New Markets Tax Credits, HOPE VI, the CDFI Fund, and asset-building efforts like expanding the Earned Income Tax Credit and creating Individual Development Accounts. In addition, the philanthropic community has made a sustained commitment to neighborhoods across the country through a variety of Comprehensive Community Initiatives (CCIs), building leadership among local residents and organizations and investing in both the "soft" and "hard" sides of redevelopment (see "Works in Progress: Comprehensive Approaches to Community Development"). And innovative partnerships between the public and the private sector, are forming the basis for initiatives that have both a social impact and economic return.

As a result, in cities across the country–from neighborhoods like the South Bronx in New York City to places like South Bend, Indiana–once distressed communities are showing signs of revitalization. While not all of these efforts have been met with universal success, they contribute to a growing understanding of the principles of successful community development. Outlined below, these principles offer important guidelines for financial institutions interested in maximizing the impact of their CRA-related activities, as well as for other organizations working to minimize neighborhood poverty.

Understanding Neighborhoods, Understanding Needs

Neighborhood poverty is driven by different factors in different places: whereas one neighborhood may be suffering from de-industrialization and the historical legacy of redlining and segregation, another neighborhood may be poor as the result of rapid population growth and the proliferation of temporary, low-wage jobs. One key lesson from past mistakes is that although community development finance tools don't vary, neighborhoods do, and projects should be targeted to meet local community development challenges.

> *A true rebirth of distressed areas will only occur if we make these places neighborhoods of choice for individuals and families with a broad range of incomes and neighborhoods of connection that are fully linked to metropolitan communities.*
>
> *– Bruce Katz, The Brookings Institution*

Undertaking a "neighborhood" market analysis can yield important insights into the community development activities that are needed. One successful model has been implemented by The Reinvestment Fund (TRF) as part of Philadelphia's Neighborhood Transformation Initiative, which seeks to tailor community development strategies to the distinct market conditions of disparate neighborhoods (see "The Reinvestment Fund's Approach to Community Development"). Using a variety of indicators–including vacant land, property values, and residents' credit scores–TRF ranked each of Philadelphia's neighborhoods into six categories, from desirable ''regional choice'' areas to distressed "reclamation"neighborhoods. These categories are then used to inform neighborhood strategies. For example, in "regional choice" neighborhoods– those with high, appreciating property values and often only home to the wealthy–it makes sense to support an employer assisted housing initiative that would help to integrate more low-income working families into the community. In contrast, in "reclamation" neighborhoods– those with high levels of deterioration and little commercial presence–the market demand for new housing is low, and it may be better to focus on renovating vacant and derelict properties or providing job training and placement services for local residents. Other groups like Social Compact, MetroEdge, and the Initiative for a Competitive Inner City have also demonstrated that neighborhood-level analyses can identify "hidden" assets and market demand in low-income neighborhoods, which can be capitalized on through neighborhood revitalization efforts.

A second key element to tailoring community development solutions to the neighborhood is involving residents in the planning process. In the words of Angela Glover Blackwell, CEO of PolicyLink, "Don't put the tax incentives in place ahead of genuine community engagement in decision-making about the type of community and city to be built."[10] Involving the community provides a much richer picture of the neighborhood's needs and opportunities, and forms the foundation for successful revitalization efforts. In Baltimore, for example, it was the residents of Patterson Park who identified a growing problem of vacant houses in the community, prompting the local CDC to focus on this issue and develop a strategic rehabilitation program. Since the program's inception, more than 200 homes have been renovated, and the community has benefited from increases in property values and the return of private investment in the neighborhood.

Increasingly, institutional lenders and investors are recognizing the value of engaging residents at the beginning of the planning process, with the understanding that projects that don't are unlikely to achieve the highly sought after 'double bottom line.' The Wachovia Regional Foundation, for example, offers neighborhood planning grants between $25,000 and $100,000 that support the development of resident-driven neighborhood plans that take comprehensive approaches to revitalization. After developing a neighborhood plan, groups can apply for larger implementation grants from the foundation, and "bankable" projects that emerge as a result of these efforts may be referred to Wachovia's community development finance division. William Hannah, CEO of Cedars Bank, similarly noted that the linchpin for the success of Market Creek Plaza in San Diego was the "consistent, sustained effort to find out what residents wanted" (see Box 3.3, "Market Creek Plaza"). Engaging with the community on a regular basis provides Cedars Bank a nuanced understanding of their customers' financial needs, resulting in a more profitable business relationship.

Building Strong Partnerships for Change

As emphasis has shifted away from top-down, government-led projects, the community development field has increasingly relied on partnerships among neighborhood leaders, CDCs, intermediaries, the private sector, and government to mobilize the financing, technical expertise, and political will needed to revitalize neighborhoods. In some cities, broad coalitions are emerging as a way to share best practices and collectively tackle tough problems (see Box 1.1, "New Alliance Task Force"). Partnerships are vital to the community development finance industry as well, with loan funds and other collaborative investment vehicles helping to reduce the risk associated with new ventures. There is also a growing belief that collaboration that consolidates back of-

Innovative Partnerships: The New Alliance Task Force

Box 1.1

Much of the collaboration in community development has been between CDCs, foundations, and intermediaries like LISC and Enterprise, with financial institutions providing key financial support. Increasingly, however, financial institutions are partnering with each other and taking a leadership role in solving community development challenges. One example of this is the New Alliance Task Force (NATF), a broad-based coalition of 62 members, including nearly 40 financial institutions, the Mexican Consulate, community-based organizations, federal bank regulatory agencies, government agencies, and representatives from the secondary market and private mortgage insurance companies. Started in Chicago, the NATF grew out of the need to develop a comprehensive approach to meeting the financial service and asset building needs of Mexican immigrants.

As part of the NATF, bank representatives worked together to tackle the issue of immigrant banking on a variety of fronts, including removing the regulatory barriers to accepting the Matricula card as an alternative form of identification, developing new programs that offer financial education to immigrant populations, countering the mistrust many immigrants have of the banking system, and tapping into the growing remittance market. Task force members also shared product innovations and best practices with one another.

Since the task force began, NATF banks have opened more than 120,000 new accounts with an average account balance of $2,000, totaling over $240 million in deposits.

fice functions and promotes innovations in accessing capital markets will be necessary for the industry to achieve scale.[11]

While the importance of public-private partnerships in community development is now well established, the strength of those partnerships often depends on the capacity of the different organizations at the table. One of the challenges facing many of the rapidly growing metropolises in California and Nevada–as well as in suburban areas and smaller cities across the country–is that the infrastructure for community development is not yet fully developed. The field must continue to invest in building the capacity of CDCs and other community groups to undertake multi-faceted and complex projects. The need for organizations with effective internal systems and diversified sources of funding–in particular self-sustaining sources of capital–has become even more pressing as community development programs continue to get targeted for cuts at the federal level.

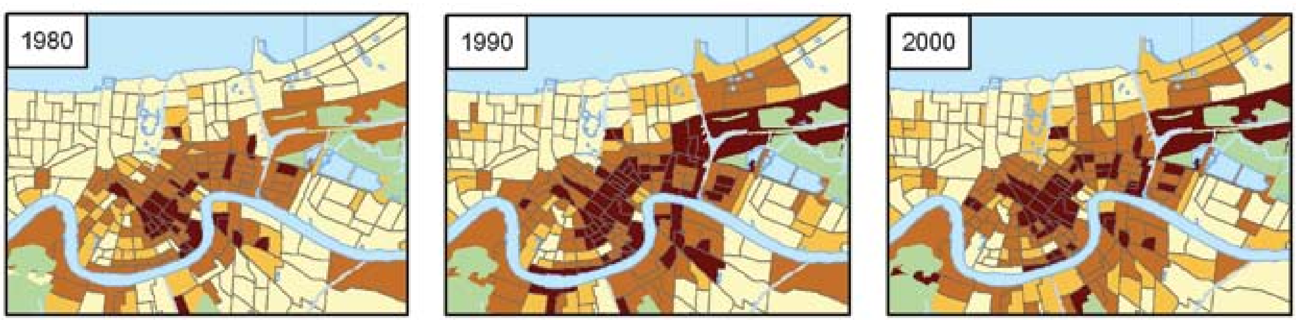
Facilitating this type of capacity building isn't, however, easy. It requires patient capital and patience, as well as project-related technical assistance and support. Where this type of sustained support for CDCs exists, the results are impressive. The National Community Development Initiative (NCDI)–now known as Living Cities–is an innovative partnership among foundations, insurance companies, government agencies, and banks that has invested in a long-term strategy to build the capacity of CDCs in 23 cities across the country. The initiative has provided more than $370 million to over 300 CDCs since 1991, allowing them to diversify their funding bases, build leadership, increase their capacity to build affordable housing, attract, train, and retain more persons of color in professional CDC positions, and expand into other activities such as health care clinics, child care centers, and community facilities. The initiative has more than doubled the number of top-tier CDCs, and 19 of the 23 cities have seen significant improvements in neighborhood quality on the ground.[12]

Strategic Community Development: Integrating People and Place Based Solutions

With a solid understanding of the neighborhood and strong partnerships in place, it becomes possible to develop a strategic approach to community development, one that addresses underlying problems and develops a range of solutions to tackle them comprehensively. It is here that the mistakes of the past provide the best lesson for what not to do: whether funded by large government public works dollars or nimble private sector tax credits, building low-income housing in low-income communities will only serve to further exacerbate the problems of the poor by segregating them in neighborhoods with weak labor and real estate markets.

Unfortunately, although the lesson of what not to do is abundantly clear, the converse is not; there is no straightforward formula that guarantees success. Still, there is a growing consensus that tackling neighborhood poverty in a sustained fashion will require integrating people-based strategies–efforts that support community residents and link them to

Snapshots of Poverty: New Orleans, Louisiana



Concentration of Poverty in New Orleans, 1980-2000

- Below National Average
- National Average - 20%
- 20 - 40%
- Above 40%
- Lake or River
- Swamp or Marsh

It should not have taken a hurricane for policy-makers to pay attention to the concentration of poverty in New Orleans. New Orleans has one of the highest rates of concentrated poverty in the nation, in part due to policies that trapped poor and minority households in economically isolated areas. By 2000, 38 percent of New Orleans' poor—and 43 percent of the African-American poor—lived in extreme-poverty neighborhoods. In these areas, the average household earned barely more than $20,000 annually, only one in twelve adults held a college degree, four in five children were raised in single-parent families, and four in ten working-age adults were not connected to the labor force. Rebuilding New Orleans will require more than bringing tourists back to the French Quarter—it demands a concerted effort on both the private and public sectors to reconstruct neighborhoods in a manner that will address these entrenched disparities.

Connecting Residents to Opportunity

Box 1.2

HOPE VI in Holly Park, Seattle

Built in the 1940s to house defense workers and war veterans, Holly Park in Seattle was converted into public housing in the 1950s. The army-style barracks quickly became known as one of the city's poorest and most crime ridden neighborhoods, prompting a columnist in the Seattle Times to describe Holly Park as "a lead weight attached to the communities around it."[1] In 1994, over 63 percent of the children in the neighborhood were living in poverty (compared to 16 percent for the city as a whole), and 74 percent of the families relied on public assistance as their primary source of income.[2]

In 1995, the Seattle Housing Authority (SHA) began tearing down Holly Park's 871 public housing units as part of a comprehensive HOPE VI revitalization grant. Today, NewHolly—as Holly Park is now known—provides a range of housing types targeted at different incomes, including subsidized rental units for low-income families and seniors, affordable homeownership opportunities for low- and moderate-income families, as well as market rate homes selling for around $450,000.[3]

Even before demolition began, the SHA worked with residents to identify the community's vision for NewHolly and to engage them in the planning process. The SHA sponsored community meetings and provided translators to help non-English speaking residents understand the scope of the changes to take place. Even so, the SHA's efforts were met with resistance. Seattle's real estate market was booming in the late 1990s, and affordable housing advocates were concerned about the loss of units affordable to very low-income families. Residents themselves were wary of the uncertainty and change associated with relocating during the construction process, and voiced their distrust of the SHA, which they had long regarded as a landlord "who is just out to find us doing something wrong so they can evict us." Efforts to build a unified community were further hindered by linguistic and cultural differences among residents.

Although HOPE VI did end up displacing some of Holly Park's existing residents, in the end, the SHA was able to provide units for most of the low-income families who wanted to return the neighborhood after redevelopment. In addition, the community meetings provided important insights into the types of services that were needed to meet returning residents' needs. SHA created a centrally located Neighborhood Campus, which includes a public library branch and a satellite campus for South Seattle Community College. The College offers an array of classes for both English non-English speaking residents seeking to improve their literacy and job skills. A "one-stop" job center provides residents with job training and coaching services, and a job developer works with local companies to help place residents in positions suited to their skills and experience. To help support working families, NewHolly also offers an on-site Head Start program, child care facilities, and youth and teen programs.

More changes for the community lie ahead. The development will soon be linked to downtown Seattle by a light rail transit system that is scheduled to open in 2009. One of the light rail transit stations is located right at the entrance to NewHolly. The area is being rebuilt to include public plazas, sidewalks, public art, and a bike trail. To help mitigate the impacts of light rail construction on the existing small businesses in the neighborhood and to help stimulate new businesses, the city has established a $50 million Rainier Valley Community Development Fund. The fund offers a wide array of financial products to local small businesses, including capital advances and property improvement loans.

The community is already showing signs of improvement. Over 80 percent of NewHolly households now have a wage earner, and the crime rate has dropped more than 50 percent.[4] Although it's too early to measure the full impact of HOPE VI revitalization on the community, the design of NewHolly will help to ensure that the low-income families living there are connected to a wide array of services, transit options, and job opportunities.

NewHolly before and after redevelopment

quality schools and jobs–with place-based strategies–those that stabilize the neighborhood and connect it to the regional economy. Richard Baron, chairman and CEO of McCormack Baron Salazar, a for-profit housing developer in St. Louis, argues that even though funding for community development flows vertically, interventions have to happen horizontally. "You can't redevelop neighborhoods vertically. The only way these areas will ever function successfully is if we start thinking and solving problems horizontally. The design and the reintegration of housing into a community has to be broad–it has to encompass streets and parks, jobs and education–so that the housing itself can begin to re-knit an area"[13] (see Box 3.1, "Murphy Park").

While simple on its surface, this principle is actually quite hard to implement in practice. As Jeremy Nowak, CEO of the Reinvestment Fund, has argued, "the community control ideology of neighborhood development often regards locality in strategic isolation from the rest of the economy."[14] Funding requirements often prohibit more integrated approaches, and some programs provide perverse incentives that perpetuate the mistakes of the past. Forced to compete for limited development funds, most CDCs are left with small, undercapitalized projects that are unable to leverage economies of scale or connect poor neighborhoods to regional economies. Building affordable housing in better neighborhoods is often thwarted by NIMBY sentiments and higher land costs. And strategies that try to defy programmatic "silos" often quickly bump up against silo walls.

Nevertheless, where community development has worked, it has done so by increasing market demand in poor neighborhoods. According to Bruce Katz of the Brookings Institution, the goal is to create "neighborhoods of choice and connection." In other words, to be successful, community development must build neighborhoods in which a range of families–including those with higher incomes–choose to live, and where all families have access to the amenities good

Linking Commercial Redevelopment with Small Business Training

Box 1.3

The Midtown Global Market in Minneapolis

For more than a decade, the former Sears building has stood empty on Lake Street, embodying the decline and disinvestment that took place along this major urban corridor in Minneapolis. Now, as a result of extensive efforts by neighborhood groups, local government and private-sector leaders, the Sears building is the site for a $190 million redevelopment project known as the Midtown Exchange. When complete, it will include the headquarters of Allina Healthcare, a Sheraton Hotel, office space, and more than 350 units of rental and ownership housing, many of which will be targeted at low- and moderate-income families.

An artist rendering of the Midtown Global Market

The most unique feature of the development, however, will be the Midtown Global Market. Although it's not set to open until Spring 2006, the Midtown Global Market is an example of the effort to integrate "place-based" commercial redevelopment with "people-based" microenterprise. The project draws on the strength of Minneapolis's growing immigrant population, and will provide market space for up to 60 small businesses selling a variety of ethnic foods and wares. Instead of attracting national chains like Subway, Taco Bell, and McDonald's, tenants will include Holy Land Grocery, Manny's Tortas, West Indies Soul, Golden Thyme Cafe and Taqueria La Hacienda.

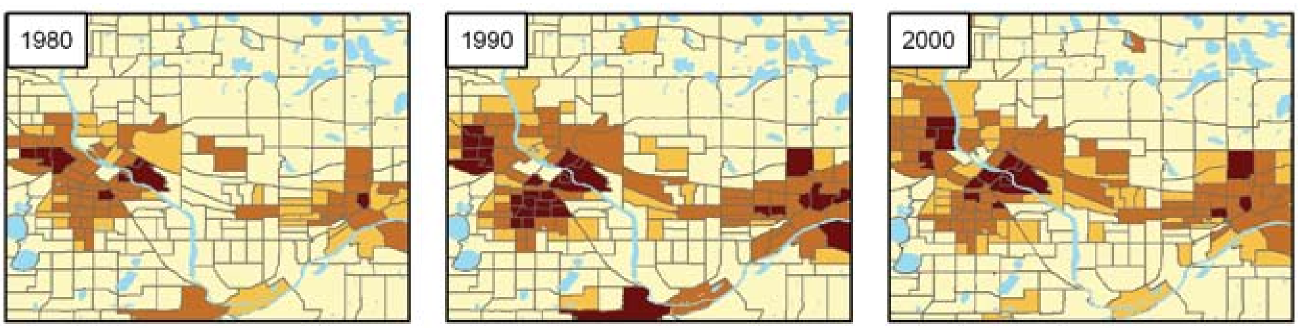
Many of these small business entrepreneurs are graduates of the Neighborhood Development Center (NDC), a CDC that provides ethnic-based microenterprise training and loans in low-income communities in Minneapolis and St. Paul. Since 1993, NDC has helped to open more than 300 businesses in at least 11 Twin Cities neighborhoods. A recent evaluation of NDC's program, using a detailed survey of 170 of these businesses, found that 34 percent occupy a building that was formerly vacant. These businesses employ 744 individuals (up from 403 in 2002), and almost two-thirds of the employees are residents of the neighborhood. Thirty-eight percent of employees earn between $10 and $20 an hour (up from 29 percent in 2002). The entrepreneurs are also contributing to the revitalization of these neighborhoods by paying property taxes ($152,600 in 2005, up from $56,083 in 2002), by purchasing their supplies from other local businesses in the neighborhood, and by providing time, money, or in-kind support to neighborhood events or activities. NDC's approach of linking small business training with commercial real estate development has proven to be an effective strategy for both the community and its residents.

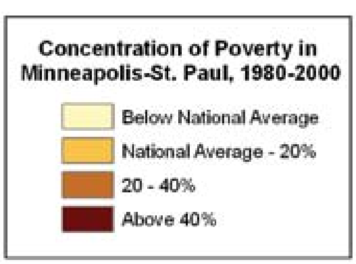
neighborhoods provide, including high quality education, transportation options, and jobs.[15] The HOPE VI experience shows that building mixed-income developments can serve as an important catalyst for this type of neighborhood revitalization.[16] An early analysis of eight HOPE VI sites found significant improvements in most of the once-distressed neighborhoods, including increased neighborhood income, property values, and private investment.[17] There is also increasing evidence that targeting multiple resources in a community can produce a "tipping point" for revitalization, stimulating enough improvement that the private market takes over. For example, under its Neighborhoods in Bloom program, the city of Richmond, Virginia redirected nearly all of its HOME and CDBG funds into only seven neighborhoods, resulting in dramatic changes in property values and market activity (see "Neighborhoods in Bloom").

However, focusing solely on the "place-based" work of rebuilding the community's bricks and mortar–even if it is through well-designed mixed-income developments that grow market demand–will only result in the creation of new ghettos of the same poor families. Revitalizing neighborhoods without paying attention to the residents already living there turns "revitalization" into a code word for "gentrification." In fact, one of the major criticisms of HOPE VI has been that it rebuilds communities at the expense of existing residents. In some HOPE VI sites, the program forced residents to move out of communities in which they had established important social networks and placed them into new housing situations that were equally or even more precarious.[18]

Successful community development policies therefore also must focus on increasing residents' incomes and connecting them to opportunity. Inclusionary zoning regulations and housing vouchers can help low-income families move to better neighborhoods (and increase their access to opportunity that way), but true "community" development occurs when neighborhood improvements benefit low-income residents and build on the existing social fabric. The best HOPE VI projects have recognized this principle, and have incorporated community building strategies and supportive services that address existing residents' educational and economic needs (see Box 1.2, "Connecting Residents to Opportunity"). In other neighborhoods, CDCs are pursuing innovative approaches that link commercial revitalization and housing redevelopment with small business incubation and workforce training (see Box 1.3, "Linking Commercial Redevelopment with Small Business Training"). Still others–like the Annie E. Casey Foundation's Making Connections program–focus on building strong families by encouraging financial security and asset building, and tying these strategies to other community supports like childcare (see "Works in Progress: Comprehensive Approaches to Community Development").

Snapshots of Poverty: Minneapolis and St. Paul, Minnesota





Like many cities, Minneapolis and St. Paul saw rising concentrations of poverty between 1970 and 1990, particularly in the urban core, followed by a period of "urban renaissance" during the 1990s. The Twin Cities have experienced significant reinvestment in some of the cities' most at-risk and racially- and ethnically-diverse neighborhoods, including North Minneapolis and the Phillips Neighborhood in South Minneapolis. However, striking regional disparities remained as of the 2000 census; while the Twin Cities had 23 percent of the region's total population, it had 54 percent of all poor residents and 54 percent of the region's minority and ethnic residents. In addition, job growth has occurred primarily in suburban areas, and there remain significant gaps in educational attainment, income levels, and homeownership rates between whites and the African American, Hispanic, and Hmong residents concentrated in the Twin Cities.

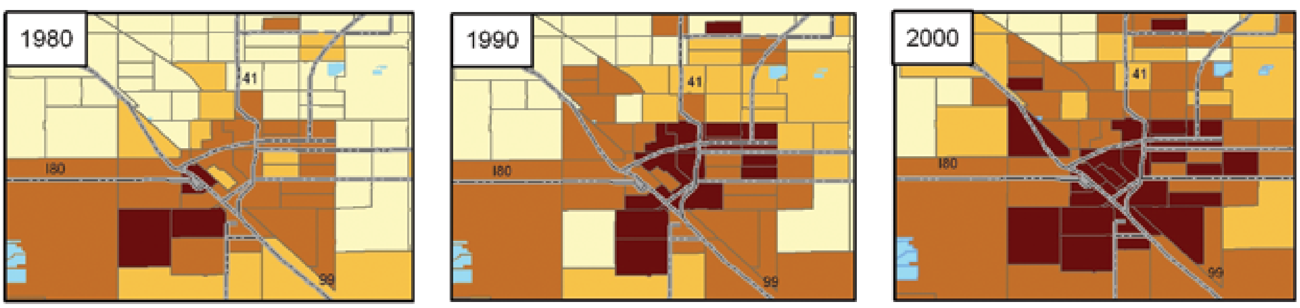
Conclusion

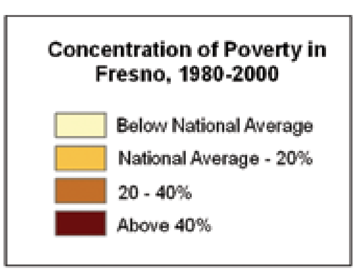
The overarching lesson from community development successes and failures isn't that every organization must tackle every problem, but rather that the integration of efforts through partnerships and the strategic targeting of resources holds much promise for reducing neighborhood poverty. Financial institutions are key partners in this. According to one estimate, financial institutions make more than $100 billion in CRA-related loans and investments each year.[19] These dollars provide perhaps one of the largest and most sustained sources of capital to low-income communities and families, and efforts to target these dollars strategically would have a visible and positive impact on neighborhoods–and on the bottom line. In the words of Mark Willis, executive vice president at JP Morgan Chase, it's time to work harder towards getting the "biggest bang for our CRA buck."[20]

To do this, however, financial institutions will need to stop seeing community development "deals" in isolation of one another. It will require a more targeted approach to CRA-related activities, one that uses data, community input, and research to assess the types of projects that should be financed–and to say no to those that don't meet the criteria set for community impact.[21] It may also mean that financial institutions will have to take a leadership role in establishing partnerships that bring their connections to the wider economy to bear on neighborhood issues (see "Place Matters: How Banks are Rediscovering Communities"). Anne Kubisch, Co-Director of the Aspen Institute's Roundtable on Community Change, noted that "when financial institutions take a leadership role in community development in a neighborhood, it sends a powerful message, one that can bring new partners with real resources to the table."

Even so, financial institutions can't do it alone. While the private sector is a powerful actor in community development, government programs at both the federal and local level are critical, both to "soften" the risk of investing in economically distressed areas and to provide incentives for innovation. Recent efforts to dismantle funding for housing vouchers, the CDBG program, HOPE VI, and the CDFI Fund threaten to undermine the positive impacts these programs are having on low-income communities, and may only further limit the ability of the community development industry to tackle neighborhood poverty in a comprehensive way. Without the concerted efforts of both the public and the private sector, the continued existence of neighborhoods that look like New Orleans' Lower Ninth Ward is a foregone conclusion.

Snapshots of Poverty: **Fresno, California**





The city of Fresno, California has the highest concentration of poverty in the nation, with 43.5 percent of the city's poor living in extreme-poverty neighborhoods, those with poverty rates of over 40 percent. A number of factors have contributed to this situation. Fresno's main industry, agriculture, has attracted successive waves of immigrant workers but pays little and, because it is seasonal, leads to cycles of unemployment. The shortage of affordable housing in the city requires many families to share quarters, further concentrating the poor in areas struggling with high gang and crime activity and lacking quality educational opportunities. In October 2005, the Fresno City Council approved the creation of the city's first "poverty task force" as a means to address the problems created by extreme concentrations of individuals and households in poverty.

Endnotes

Investing in Neighborhoods from the Ground Up

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FIGURE 2

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Concentrated Poverty Rate reflects the proprotion of the poor living in neighborhoods with a poverty rate of over 40 percent in 2000

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